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University of Alberta
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Edmonton, Alberta T6G 2R6

THE 2003 ANNUAL REPORT

McCOY Bros.

A TURNAROUND YEAR

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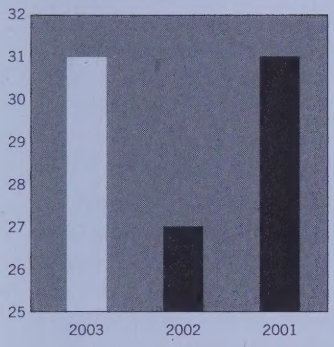
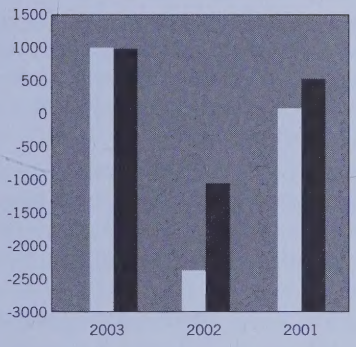
REVENUE in millions of dollars



NET EARNINGS (000's)



SEGMENTED INFORMATION (000's)

FINANCIAL HIGHLIGHTS

	2003	2002	2001
	$	$	$
Operations (thousands)			
Revenue	**30,786**	27,102	31,382
Net earnings (loss)	**1,004**	(2,364)	88
Operating cash flow	**800**	2,283	3,504
Per Common Share			
Net earnings (loss)			
basic	**0.06**	(0.17)	0.01
diluted	**0.05**	(0.17)	0.02
Weighted average number of common shares outstanding	**17,533,807**	13,897,444	10,261,080
Financial (thousands)			
Working capital	**4,914**	1,321	3,054
Bank indebtedness	**280**	3,174	3,413
Long-term debt	**727**	2,255	4,610
Due to related parties	**1,148**	2,251	7,053
Shareholders' equity	**8,736**	7,732	6,096

In 2003, Management set out to complete three objectives that were identified as the keys to strengthening our Company. First, an evaluation of all of the Company's existing businesses and markets was needed. Second, Management needed to significantly restructure the Company's financial position. Third, the Company needed to become profitable, not only through exploiting favourable market conditions, but by managing our vulnerability to the inevitable risk factors beyond Management's control.

An evaluation of McCoy's markets and operations early in 2003 resulted in the sale of the spring and axle manufacturing plant as well the distribution warehouse in California to a management group at the end of March. Having sold a business that was non-essential for our future direction gave us the ability to actively seek out exciting growth opportunities in our other business segments, Sales and Service and Manufacturing, which consists of Scona Trailer Manufacturing and Farr Canada.

Concurrently with the management buy-out transaction, the Company negotiated the sale and leaseback of its land and buildings located in Edmonton. This action was a pivotal piece of Management's plan to eliminate the majority of both long term and short term debt. By the end of April, these transactions were completed and we were then able to concentrate fully on refining and growing our operations.

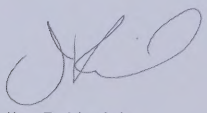
After an average start to the year, 2003 turned out a strong second half, which was influenced largely by increased activity in the oil and gas sector, both domestically and internationally. Despite the negative impact of the strengthened Canadian dollar and considerably higher energy and insurance costs, modest growth in revenue and gross margin coupled with a reduction in operating expenses resulted in a reasonably profitable year.

With our key objectives for 2003 met, the time was right to explore growth opportunities. We were very pleased to announce earlier this year that we will open a new service, parts and trailer distribution facility in Fort St John, British Columbia this fall. This expansion is an integral piece of the Service segment's growth strategy through entrance into new geographical markets. Northeastern British Columbia presents an attractive opportunity for our Company due to its strong economic outlook based on healthy industry segments relating to our core businesses.

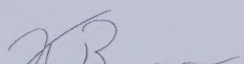
The Company's manufacturing segment comprised of Scona Trailer Manufacturing and Farr Canada, will continue to expand its product offerings through innovative engineering. Farr Canada continues to invest in new capital equipment as both divisions strive for continuous improvement in their manufacturing processes. Scona and Farr should again benefit from continued strong market conditions.

Old and new challenges face our Company in 2004. Volatility in foreign exchange rates will continue to affect our gross margin on foreign sales which represent approximately 20% of consolidated revenues. Insurance costs appear to be stabilizing but remain high and energy costs are expected to rise again. Added to these pre-2004 conditions, a recent increase in the global demand for steel has Management exploring possible counter measures to the anticipated pricing and supply issues that will test our manufacturing divisions.

Despite the challenges ahead, Management is confident that the Company is now positioned to take advantage of Alberta's strong economy and the lively oil and gas activity in both Alberta and British Columbia. On behalf of the Board of Directors, we would like to thank our employees, suppliers, shareholders, and most of all, our loyal and valued customers for their continued support.



Jim Rakievich
President and
Chief Executive Officer
Director



Kerry Brown
Chairman
Chief Financial Officer

MCCOY SERVICE WILL IMPLEMENT THE FIRST STEP IN ITS GROWTH STRATEGY WHEN IT OPENS A NEW SERVICE, PARTS AND TRAILER DISTRIBUTION LOCATION IN FORT ST. JOHN, BRITISH COLUMBIA LATER THIS YEAR.

TRUCK SALES AND SERVICE

McCoy Service, with two wholly-owned locations in Edmonton and one in Red Deer, Alberta, is the industry leader in specialized heavy-duty truck and trailer repairs in those cities. Our shops provide services such as equipment fabrications and installations, suspensions, alignments, frames, brakes, axles and hydraulics for both heavy and light duty trucks and trailers. McCoy's west end Edmonton service shop moved into a new, built-to-suit facility with state-of-the art frame straightening and alignment equipment in February, 2003 and entered into a long-term lease.

McCoy Bros. also has a 50% equity interest in Prairie Truck Ltd. in Grande Prairie in northeastern Alberta. Prairie Truck is an International Truck dealership with a large truck and trailer service facility plus a heavy-duty truck and trailer parts department.

McCoy Service will implement the first step in its growth strategy when it opens a new service, parts and trailer distribution location in Fort St. John, British Columbia later this year. Fort St. John is located in the northwestern portion of the province, approximately a seven-hour drive from Edmonton or two-and-half hours from Grande Prairie. Prairie Truck has benefited from a healthy local economy in the last several years, and the Fort St. John location will be similarly positioned to take advantage of the strong oil and gas, agriculture, forestry and tourism (recreational vehicles) industries of the North Peace region.

MANUFACTURING

Scona Trailer Manufacturing produces heavy-duty trailers such as lowboys, flat decks, step decks, oil field floats, log trailers and custom chassis. Scona trailers are designed for both on-road and off-road use and have been a well-respected name in the heavy-duty trailer industry for over fifty years. Historically, Scona's geographical market was primarily Western Canada. However, the division has recently had a significant number of trailer orders from customers based in the Western United States as well.

Farr Canada is McCoy's oilfield equipment manufacturing division. Farr's main product line is hydraulic power tongs for use in oil well workover and drilling applications on both land and off-shore rigs. Farr also produces a computerized torque control system known as Wincatt plus a variety of tong accessories. Farr's customers are geographically diverse. During 2003, Farr's sales were made primarily to the Middle East, Asia, South America, Mexico, Europe, the United States and Canada.

The following discussion and analysis should be read in conjunction with the audited Consolidated Financial Statements and associated notes presented on page 10. All comparative figures and percentages in this discussion and analysis are between the year ended December 31, 2003 and the year ended December 31, 2002, and are after adjustments for discontinued operations, unless stated otherwise.

VISION, CORE BUSINESS AND STRATEGY

The Company's vision with respect to the sales and service segment is to become the largest provider of specialized heavy-duty truck and trailer repair services in Western Canada.

Sales and Service growth opportunities will be undertaken through geographic expansion by acquisition or start up of new facilities in our specialized service industry. There has been little or no consolidation in Western Canada with respect to McCoy Bros. Inc. ("McCoy's") sector of the market. In the fall of 2004 the Company will be opening a new Parts and Service location in Fort St. John, British Columbia. This location is ideal due to the significant oil and gas and forestry activity in the region. The Company will continue to aggressively explore other new opportunities.

Manufacturing growth will be undertaken through continuous product improvement and market development. Our advantage in the market place is the ability to be flexible in engineering and design and meet customer needs in short turn around times. Our manufacturing operating system, Visual Manufacturing which was implemented in Q4 of 2001, is being further developed to improve our processes and reduce our costs. In 2004 we will add the Lean Manufacturing module to our Visual system which will assist us in improving throughput within our plants.

McCoy's strong management team along with our proven systems will be our platform for growth. The senior management team and management systems have the capacity to take on new ventures without significant growth in expenditures. The Company will build on the brand name recognition in our core businesses and on proven product reliability over the long term.

FINANCIAL HIGHLIGHTS

12 Months ended December 31

	2003	2002	2001
	$	$	$
Total Revenue	**30,786,132**	27,102,018	31,382,058
Earnings (loss) before discontinued operations	**940,354**	(1,033,350)	528,639
Net Earnings (loss) for the year	**1,003,772**	(2,364,072)	87,661
Basic Earnings per share – before discontinued operations	**0.05**	(0.07)	0.05
Basic Earnings per share	**0.06**	(0.17)	0.01
Diluted earnings per share – before discontinued operations	**0.05**	(0.07)	0.05
Diluted earnings per share	**0.05**	(0.17)	0.02
Total Assets	**16,304,972**	19,720,507	25,178,889
Total Liabilities	**7,569,150**	11,988,457	19,082,767

McCoy's 2003 financial results reflect the impact of three key events - the sale of the spring and axle operations to former employees, the sale and lease-back of the remaining Edmonton properties, and the establishment of a new banking facility. The revenue increased in 2003 by 14% due to the increased activity in the oil and gas industry, our major market. Income before discontinued operations improved from a loss in the previous year due to increased revenues and continued efforts by management to streamline operations. The decrease in both assets and liabilities is due to the completion of the sale and leaseback of previously owned land and buildings. This was done in order to strengthen the balance sheet and enable the Company to repay over $4 million in debt. Assets and liabilities were also impacted by the sale of the Spring and Axle division.

RESULTS OF OPERATIONS

Sales

Sales by Segment	Sales and Service	Manufacturing	Corporate Services	Intersegment Eliminations	Total
	$	$	$	$	$
2003					
Total external sales	**16,073,822**	**14,709,197**	**3,113**	**–**	**30,786,132**
Total inter-segment sales	**9,605**	**32,528**	**318,550**	**(360,683)**	**–**
Total sales	**16,083,427**	**14,741,725**	**321,663**	**(360,683)**	**30,786,132**
2002					
Total external sales	15,308,989	11,650,056	142,973	–	27,102,018
Total inter-segment sales	395,068	123,350	–	(518,418)	–
Total sales	15,704,057	11,773,406	142,973	(518,418)	27,102,018
Percentage Change	2.4%	25.2%			

Both major segments of the Company saw an increase in sales. Sales and Service revenues increased marginally due to the slow first quarter of 2003 at our Red Deer branch, as well as the relocation of our West Edmonton branch. The manufacturing segment saw a much greater increase in sales due to the increase in the capital asset expenditures of our oil and gas customers. 2002 saw fewer purchases of oilfield related products as the oil and gas industry recuperated from sluggish drilling activity. We expect to see a continued increase in the Sales and Service segment of between 2%-5 % as the first quarter of 2004 is expected to be stronger than it was in 2003. We expect to see growth in manufacturing revenues of between 5%-10% due to the continued growth of the oil and gas industry. Order books are strong and we expect this trend to continue throughout 2004.

Gross Profit

	2003	2002
	$	$
Gross Profit	**10,217,605**	8,376,836
% of Total Sales	**33.19%**	30.91%

Gross profit increased by 21.97% or $1,840,769. This was largely due to the increase in sales volumes in our manufacturing segment. Consolidated gross margin as a percentage of sales increased by 2.29% in 2003. Gross margins in 2002 were adversely impacted by a one-time write down of inventory in the amount of $218,358 in the manufacturing segment.

Salaries

Salaries decreased $273,557 or 5.60% to $4,609,650 compared to $4,883,207 in 2002. The consolidation of the CEO and COO positions as well as streamlining administrative personnel allowed for this decrease in salaries. 2004 will see an increase in salaries due to the increase in volumes expected, as well as salary increases to compensate for inflation.

Operations

Operations expenses were $2,760,281 versus $2,171,199 in 2002. This represents an increase of $589,082 or 27.13%. Most of the increase is attributable to rent expense which did not exist in 2002. Rent has increased because of our sale leaseback transaction. This is offset by the decrease in amortization and interest on debt discussed below. Higher utilities and insurance costs also increased the operating expenses.

Amortization

Amortization expense of $634,537 represents a $97,910 or 13.37% decrease from amortization expense of $732,447 in 2002. The primary reason for the decrease is due to the sale and leaseback of all of the Company's buildings.

Corporate Services

Corporate service expenditures decreased $393,373 or 47.42% to $436,098 compared to $829,471 in 2002. Decreased information technology costs were the primary reason for the decrease in corporate services. In 2002 the services were outsourced to a third party.

Selling

Selling expenses decreased by $14,129 or 3.50% to $389,494 from 2002's $403,623. In terms of a percentage of sales, selling expenses saw no change. The Company undertook expanded sales and marketing efforts in 2002, specifically in the manufacturing segment, in order to gain a higher percentage of the market share in the US. The results of sales efforts in the US were disappointing and the Company refocused its strategy.

Interest on Debt

Interest on debt of $385,491 represents a $378,204 or 49.52% decrease from interest expense of $763,695 in 2002. McCoy sold all of its land and buildings enabling a decrease in debt thereby decreasing interest expense. The only debt remaining is a convertible debenture with a maturity date of April 15, 2005.

Amortization of Deferred Gain on Capital Assets

Gain on sale of $68,054 directly relates to the gain from the sale of the land and buildings. The total gain was $1,531,206. This amount is being amortized over the 15 year life of the leases. The amount recorded as a gain represents 8 months of amortized gain. There was no gain on sale in 2002.

Loss on Foreign Exchange

Loss on foreign exchange of $51,954 represents a $72,849 change from the gain on foreign exchange of $20,895 in 2002. We operate internationally with approximately 20% of our business conducted in US dollars. Accordingly, our results are affected by year over year exchange rate fluctuations of the US dollar relative to the Canadian dollar. The rapid rise of the Canadian dollar relative to the US dollar in the third quarter negatively affected third quarter and fiscal year results. We have adjusted our pricing strategies for 2004 to reflect the improved strength of the Canadian dollar.

Discontinued Operations

In December 2002, the Company made the decision to discontinue the spring and axle division along with its wholly owned US subsidiary McCoy Bros. Group Inc. Spring and Axle was no longer viewed as core to the Company's future. As a result of the transaction, management has been able to focus their efforts and strengths on the remaining businesses.

The sale closed on March 31, 2003. Any costs incurred in 2003 relating to discontinued operations were accrued in 2002 resulting in no expense in 2003 for discontinued operations. Earnings from discontinued operations in the amount of $63,418, net of tax relates to the reversal of a provision that had been set up for potential bad debts. Management was able to collect all trade accounts receivable and has therefore taken the amount into income.

Summary of Quarterly Results (thousands)

	2003				2002			
	$	$	$	$	$	$	$	$
	Mar 31	**June 30**	**Sept 30**	**Dec 31**	Mar 31	June 30	Sept 30	Dec 31
Total Revenue	**6,424**	**7,698**	**8,425**	**8,239**	6,285	8,074	6,069	6,674
Net Earnings (loss)	**(86)**	**202**	**269**	**619**	(313)	(44)	(508)	(1,499)
Basic Earnings (loss) per share	**(0.01)**	**0.01**	**0.02**	**0.04**	(0.00)	(0.01)	(0.07)	(0.09)
Diluted Earnings (loss) per share	**(0.01)**	**0.01**	**0.02**	**0.03**	(0.00)	(0.01)	(0.07)	(0.09)

The fourth quarter of 2003 saw an increase in revenue of $1,566,004 over the fourth quarter of 2002. Sixty-four percent of the increase is due to the increased activity in the manufacturing segment. The manufacturing segment normally closes for the last two weeks of December. This did not occur this year due to the volume of orders that were scheduled to go out. The balance of the increase is due to increases in the Sales and Service segment. The fourth quarter of 2002 saw a continued decline in drilling activity adversely affecting gross revenues. Net earnings for the fourth quarter saw a contribution of $111,000 to earnings, as an expense previously recorded was reversed in the period due to a discontinuance of a lawsuit against the Company. The Company streamlined operations in 2003 which positively affected net earnings in the quarter. The fourth quarter 2002 net loss includes the accrual of $531,572 of costs associated with the discontinued operations.

Liquidity and Capital Resources

	2003	2002	2001
	$	$	$
Cash provided by operations	**800,023**	2,282,676	3,503,990
Cash provided by (used in) investing activities	**4,568,262**	(419,759)	(513,530)
Cash provided by (used in) financing activities	**(6,276,597)**	(1,425,913)	(4,088,984)

Cash flows from operations decreased by $1,482,653 due mostly to the rent expense that was not present in 2002. Higher than anticipated revenues in December also impacted cash flows from operations due to the increase in accounts receivable over the prior year in the amount of $646,745. Increase in cash flows from investing activities is due entirely to the proceeds received from the sale of the land and buildings. Cash used in financing activities increased due to the fact that the proceeds from the sale of the land and buildings were used to pay down almost all of the Company's debt.

Management believes that with the projected level of operations for 2004, and the availability of funds under the established credit facility, the Company will have sufficient capital to fund its operations.

Debt to Equity Ratio over the past 3 years

2003	2002	2001
0.87 to 1	1.55 to 1	3.13 to 1

The Company has taken on a conservative approach as it relates to its use of debt to finance operations. This is evidenced by the significant decrease in the debt to equity ratio in 2003.

RISK FACTORS

The Company is exposed to various business risks, including the effect of a general downturn in the economy or a slow down in the oil and gas or the transportation sectors. The Company experienced the effects of a slow down in the oil and gas sector as well as a slowed US economy during 2002. By situating the Company to adapt to changing market conditions, exposure to such risk will be mitigated. This will be achieved by cost cutting strategies and expansion into other sectors through new targeted marketing strategies.

The potential loss of key personnel is another risk area the Company faces. In order to mitigate this risk, McCoy has signed long term employment contracts with those individuals identified as being of significant impact to the Company, as well as the placement of "Key Man Insurance".

OUTLOOK FOR 2004

Market conditions for the oil and gas sector in Western Canada are expected to continue to be favourable throughout 2004. Management will continue to push forward with productivity enhancing initiatives in order to take the best advantage possible of the current market environment. Foreign exchange and uncertain steel markets will continue to prevail throughout the year. Despite these hurdles, the management team is confident that 2004 will be another positive step in our Company's growth.

FORWARD LOOKING STATEMENTS

Certain statements in this Annual Report may constitute "forward looking statements" and although Management of the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Such forward looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

March 26, 2004

Management is responsible for the preparation and presentation of the consolidated financial statements and all other information in the annual report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Financial and operating data presented elsewhere in the annual report are consistent with the information contained in the financial statements.

Management maintains a system of internal controls which provides reasonable assurance that the assets of the Company and its subsidiaries are safeguarded and which facilitates the preparation of timely, relevant and reliable financial information which reflects, when necessary, Management's best estimates and judgements based on informed knowledge of the facts.

The Board of Directors, acting through the Audit Committee, is responsible for determining that Management fulfills its responsibilities in the preparation of financial statements and the financial control of operations. The Audit Committee has reviewed the consolidated financial statements and Management's Discussion and Analysis with Management and have recommended their approval to the Board of Directors. The independent auditors have unrestricted access to the Audit Committee.

The financial statements have been examined by PricewaterhouseCoopers, LLP, Chartered Accountants, and their report follows.

Jim Rakievich
President and Chief Executive Officer

AUDITORS' REPORT

March 26, 2004

To the Shareholders of McCoy Bros. Inc.

We have audited the consolidated balance sheets of McCoy Bros. Inc. as at December 31, 2003 and 2002 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Edmonton, Alberta

CONSOLIDATED BALANCE SHEETS

As at December 31, 2003 and 2002	2003	2002
	$	$
Assets		
Current assets		
Cash	**593,701**	528,065
Accounts receivable	**3,920,467**	3,273,722
Income taxes receivable	**–**	32,205
Current portion of note receivable (note 4)	**18,667**	–
Inventories (note 2)	**4,180,335**	5,026,755
Future income taxes (note 11)	**484,680**	654,913
Prepaid expenses and deposits	**156,365**	221,522
	9,354,215	9,737,182
Mortgage receivable (note 5)	**700,000**	–
Note receivable (note 4)	**171,002**	–
Capital assets (note 3)	**2,404,310**	6,385,489
Future income taxes (note 11)	**3,629,878**	3,552,269
Goodwill	**45,567**	45,567
	16,304,972	19,720,507
Liabilities		
Current liabilities		
Bank indebtedness (note 6)	**280,248**	3,174,280
Accounts payable and accrued liabilities	**3,842,890**	4,106,319
Income taxes payable	**16,929**	–
Floor plan financing (note 7)	**90,500**	200,500
Current portion of long-term debt (note 8)	**–**	155,000
Current portion of obligations under capital lease (note 9)	**209,817**	272,361
Current portion of advances from related parties (note 10)	**–**	508,000
	4,440,384	8,416,460
Long-term debt (note 8)	**–**	1,644,247
Obligations under capital lease (note 9)	**517,449**	184,246
Deferred gain (note 18(a))	**1,463,152**	–
Advances from related parties (note 10)	**1,148,165**	1,743,504
	7,569,150	11,988,457
Commitments and contingencies (note 15)		
Shareholders' Equity		
Share capital (note 13)	**12,854,825**	12,854,825
Deficit	**(4,119,003)**	(5,122,775)
	8,735,822	7,732,050
	16,304,972	19,720,507

Approved by the Board of Directors

Director Director

CONSOLIDATED STATEMENTS OF DEFICIT

For the years ended December 31, 2003 and 2002	2003	2002
	$	$
Balance – Beginning of year	**5,122,775**	2,758,703
Net (earnings) loss for the year	**(1,003,772)**	2,364,072
Balance – End of year	**4,119,003**	5,122,775

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2003 and 2002	2003	2002
	$	$
Revenue	**30,786,132**	27,102,018
Cost of sales	**20,568,527**	18,725,182
Gross profit	**10,217,605**	8,376,836
Expenses		
Salaries	**4,609,650**	4,883,207
Operations	**2,760,281**	2,171,199
Amortization	**634,537**	732,447
Corporate services	**436,098**	829,471
Selling	**389,494**	403,623
Interest on debt	**385,491**	763,695
	9,215,551	9,783,642
Earnings (loss) before the undernoted	**1,002,054**	(1,406,806)
Other income (expense)		
Amortization of deferred gain on capital assets (note 18(a))	**68,054**	–
(Loss) gain on foreign exchange	**(51,954)**	20,895
	16,100	20,895
Earnings (loss) before income taxes and discontinued operations	**1,018,154**	(1,385,911)
Income taxes (recovery) (note 11)		
Current	**18,758**	(123,431)
Future	**59,042**	(229,130)
	77,800	(352,561)
Earnings (loss) before discontinued operations	**940,354**	(1,033,350)
Discontinued operations (note 12)	**63,418**	(1,330,722)
Net earnings (loss) for the year	**1,003,772**	(2,364,072)
	$	$
Earnings (loss) per share (note 14)		
Basic – before discontinued operations	**0.05**	(0.07)
Basic	**0.06**	(0.17)
Diluted – before discontinued operations	**0.05**	(0.07)
Diluted	**0.05**	(0.17)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2003 and 2002	2003	2002
	$	$
Cash provided by (used in)		
Operating activities		
Earnings (loss) before discontinued operations	**940,354**	(1,033,350)
Items not affecting cash		
Amortization	**634,537**	732,447
Future income taxes	**59,042**	(229,130)
Amortization of deferred gain	**(68,054)**	–
Cash flow from operations before the following	**1,565,879**	(530,033)
Net change in non-cash working capital items	**(765,856)**	2,812,709
	800,023	2,282,676
Financing activities		
Net (repayment) proceeds of bank indebtedness	**(2,841,947)**	382,531
Repayment of obligations under capital lease	**(422,064)**	(356,879)
Repayment of long-term debt	**(1,799,247)**	(198,102)
Repayment of floor plan financing	**(1,798,000)**	(2,183,536)
Proceeds from floor plan financing	**1,688,000**	1,732,452
Repayment of advances from related parties	**(1,153,000)**	(937,500)
Increase in advances from related parties	**49,661**	135,121
	(6,276,597)	(1,425,913)
Investing activities		
Purchase of capital assets	**(194,397)**	(419,759)
Proceeds from sale of capital assets	**4,762,659**	–
	4,568,262	(419,759)
(Decrease) increase in cash from continuing operations	**(908,312)**	437,004
Cash from discontinued operations (note 12)	**973,948**	91,061
Increase in cash	**65,636**	528,065
Cash – Beginning of year	**528,065**	–
Cash – End of year	**593,701**	528,065
Supplementary information		
Income taxes received	**32,301**	144,443
Income taxes paid	**29,763**	267,448
Interest received	**231,803**	132,818
Interest paid	**368,504**	698,867

1 SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The recoverable value of future income taxes and amortization of capital assets are the more significant items subject to estimate in these financial statements.

a) Basis of consolidation

These consolidated financial statements include the accounts of McCoy Bros. Inc., its subsidiaries and its proportionate share of the assets, liabilities, revenue and expenses of a joint venture in which it participates (collectively the "Company"). All inter-company transactions and balances are eliminated.

b) Revenue recognition

The Company recognizes service revenue as services are performed. Product sales are recognized at the time of title transfer. Manufacturing revenue is recognized on a completed contract basis at the time of title transfer.

c) Inventories

Raw materials inventory is recorded at the lower of cost, as determined on a first in, first out basis, and replacement cost. Truck inventory and inventories of finished goods and work-in-progress are recorded at the lower of cost, as determined on a first in, first out basis, and net realizable value.

d) Capital assets

Capital assets are recorded at cost. Amortization is provided for using the straight-line method over their estimated useful lives, as follows:

Buildings	40 years
Equipment	
Machinery	3 – 10 years
Office	5 years
Automotive	5 years
Computer equipment and software	1 – 5 years
Deferred development costs	3 – 4 years
Leasehold improvements	Life of related lease

Development costs are expensed in the period incurred unless technical and market viability of a development project has been established. Deferred development costs are amortized on a straight-line basis over the expected use of the product. Amortization commences upon use of the product. The Company evaluates the recoverability of the carrying value of deferred development costs on an annual basis.

e) Goodwill

Goodwill relates to the difference between the Company's cost of acquiring businesses and the fair value of the identified assets. Goodwill is tested for impairment at least annually and written down to fair value if the criteria for impairment are met.

Effective January 1, 2002, the Company ceased amortizing goodwill, as provided for in the new recommendations of the Canadian Institute of Chartered Accountants ("CICA"). Prior to January 1, 2002 goodwill was amortized on a straight-line basis over five years. This change was applied prospectively in 2002 and reduced the 2002 amortization expense by $45,567. At December 31, 2003, the cost of goodwill is $474,560 (2002 – $474,560) and accumulated amortization is $428,993 (2002 – $428,993).

f) Warranty provision

The Company provides an accrual of estimated warranty expense based on information available with respect to historic results and new product offerings.

g) **Translation of foreign currencies**

Monetary assets and liabilities of the foreign subsidiary company (an integrated foreign operation) are translated into Canadian dollars at the rates of exchange in effect at the balance sheet date and non-monetary assets are translated at rates of exchange in effect when the assets were acquired. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in income.

Transactions denominated in foreign currencies are translated at the rate in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Resulting foreign exchange gains or losses are included in income.

h) **Earnings (loss) per share**

Earnings (loss) per share is based on the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the deemed proceeds from the exercise of dilutive securities are considered to be used to acquire common shares at the average market price during the year.

i) **Future income taxes**

The Company follows the liability method of income tax allocation. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the date of substantial enactment. A valuation allowance is provided to the extent that it is more likely than not that future income taxes will not be realized.

j) **Stock-based compensation**

The Company grants stock options to employees pursuant to a stock option plan. Effective January 1, 2002 the Company adopted new CICA Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments. Consistent with the Company's prior accounting policy for stock-based compensation, the Company does not recognize compensation expense on the issuance of stock options to employees under the stock option plan. The Company records the consideration paid by the employees under these stock option plans to share capital as stock options are exercised.

k) **Discontinued operations**

The accounting policy for discontinued operations occurring prior to May 1, 2003 was:

- Until actual disposition or write-off, the assets and liabilities of discontinued operations are included in the balance sheet on a line-by-line basis.
- The results of discontinued operations are included as a single line identified as "discontinued operations" in the consolidated statement of operations until the date that such operations are designated as discontinued (the "measurement date").
- At the measurement date, if it is estimated that the actual disposition would result in a gain, subsequent operating losses from discontinued operations are deferred and classified as deferred charges on the balance sheet. If it is estimated that the actual disposition would result in a loss, such loss, together with subsequent estimated operating losses after the measurement date, are provided for as of the measurement date.
- Gains and losses upon the actual disposition of discontinued operations are recorded in the period they occur. Until actual disposition or write-off, cash flows from discontinued operations are included in the consolidated statements of cash flows as a single line identified as "discontinued operations".

2 INVENTORIES

December 31, 2003 and 2002	2003	2002
	$	$
Raw materials	**288,489**	802,248
Work-in-progress	**1,146,982**	790,628
Finished goods	**2,116,413**	2,742,886
Trucks	**628,451**	690,993
	4,180,335	5,026,755

3 CAPITAL ASSETS

December 31, 2003 and 2002	2003		
	Cost	Accumulated amortization	Net
	$	$	$
Machinery and office equipment	**3,909,800**	**2,222,118**	**1,687,682**
Automotive equipment	**321,650**	**248,763**	**72,887**
Computer equipment and software	**798,256**	**570,731**	**227,525**
Leasehold improvements	**463,024**	**344,051**	**118,973**
	5,492,730	**3,385,663**	**2,107,067**
Deferred development costs	**1,124,178**	**826,935**	**297,243**
	6,616,908	**4,212,598**	**2,404,310**

	2002		
	Cost	Accumulated amortization	Net
	$	$	$
Land	750,744	–	750,744
Buildings	3,807,826	571,561	3,236,265
Machinery and office equipment	6,065,486	4,673,024	1,392,462
Automotive equipment	417,788	384,522	33,266
Computer equipment and software	3,879,669	3,462,155	417,514
Leasehold improvements	603,361	412,470	190,891
	15,524,874	9,503,732	6,021,142
Deferred development costs	1,104,171	739,824	364,347
	16,629,045	10,243,556	6,385,489

Capital assets under capital lease included above have a cost of $1,045,229 (2002 – $1,456,288) and accumulated amortization of $905,648 (2002 – $1,124,801).

4 NOTE RECEIVABLE

On March 31, 2003, the Company sold the capital assets of the former Spring and Axle division to a group of former management (see note 12) for the net book value of $189,669, to be paid in 10 equal annual instalments, starting on the first anniversary date. The capital assets are pledged as collateral on the note receivable. No interest is charged on the outstanding balance.

5 MORTGAGE RECEIVABLE

On May 1, 2003, the Company sold all of its land and buildings for $5,793,000. A vendor take-back second mortgage for $700,000 has been granted to the purchaser (see note 18). The vendor take-back mortgage bears interest at 7.36% per annum which is payable on the last day of each month from May 2003 to April 2008. Beginning in May 2008 blended principal and interest payments of $6,390 shall be payable monthly to April 2013. Interest revenue in the amount of $34,347 has been recorded in the financial statements for 2003.

6 BANK INDEBTEDNESS

The Company has an operating line of credit facility with a limit of $2,000,000 (2002 $5,875,000), repayable on demand with interest payable monthly at prime plus 1.00%. At December 31, 2003, the rate was 5.5%, and at December 31, 2002, the rate was 6%. A general security agreement over all past and future personal property and landlord lien waivers are pledged as collateral on this facility.

December 31, 2003 and 2002	2003	2002
	$	$
Amounts drawn on line of credit facility	280,248	3,174,280

7 FLOOR PLAN FINANCING

Floor plan financing is for new truck inventory which, along with a general security agreement, has been pledged as collateral. Interest on the floor plan financing is payable monthly at prime. At December 31, 2003 the rate was 4.5%, and at December 31, 2002 the rate was 4.5%.

8 LONG-TERM DEBT

December 31, 2003 and 2002	2003	2002
	$	$
Mortgage loan, payable in annual instalments of $100,000 from 2003 to 2013, interest at bankers acceptance rates plus 3.25% (2002 – 9.36%), land and buildings with a net book value of $2,742,124 at December 31, 2002 were pledged as collateral	–	1,200,000
Mortgage loan, payable in annual principal instalments of $55,000 from 2003 to 2013, interest at bankers acceptance rates plus 3.25% (2002 – 8.89%, 2001 – 6.63%), land and buildings with a net book value of $1,244,885 at December 31, 2002 were pledged as collateral	–	599,247
	–	1,799,247
Less: Current portion	–	155,000
	–	1,644,247

During 2003, the Company repaid both mortgage loans. The interest on long term debt in 2003 is $114,340 (2002 – $216,527)

9 OBLIGATIONS UNDER CAPITAL LEASE

December 31, 2003 and 2002	2003	2002
	$	$
Minimum lease payments		
2003	–	298,392
2004	256,859	90,504
2005	235,311	68,956
2006	184,994	21,840
2007	79,805	25,880
2008	45,060	–
2009	30,140	–
	832,169	505,572
Less: Amount representing interest (at rates ranging from 6.46% to 8.95%)	104,903	48,965
	727,266	456,607
Less: Current portion	209,817	272,361
	517,449	184,246

The interest on obligations under capital lease in 2003 is $44,311 (2002 – $40,531).

10 ADVANCES FROM RELATED PARTIES

December 31, 2003 and 2002	2003	2002
	$	$
Truck Service Corp. – controlling shareholder	–	653,000
Foundation Equity Corporation – convertible promissory note	1,148,165	1,598,504
	1,148,165	2,251,504
Less: Current portion	–	508,000
	1,148,165	1,743,504

The convertible promissory note is due to Foundation Equity Corporation, parent of the controlling shareholder, and is subordinated to bank indebtedness and note payable with collateral provided by a general security agreement. This promissory note matures on April 15, 2005, with interest payable calculated at bank prime plus 1.2%. At December 31, 2003, the rate is 5.7%, and on December 31, 2002, the rate was 5.7%. The interest incurred during the year is $76,055 (2002 – $135,121).

The note is convertible, in whole or in part, at the option of Foundation Equity Corporation, into common shares of the Company at any time on or before the maturity date. The conversion price shall be the greater of:

a) the volume weighted average closing price of the common shares on the Toronto Stock Exchange for the thirty trading days prior to Foundation Equity Corporation giving notice of conversion, and

b) the closing price of common shares on the day prior to the notice of conversion.

On June 28, 2002, Foundation Equity Corporation converted $4,000,000 of the outstanding amount, resulting in the issuance of 7,272,727 shares of the Company (see note 13). The remaining total number of common shares that may be issued pursuant to one or more conversions under the note may not exceed 2,988,353 common shares without the prior written consent of the Toronto Stock Exchange.

Certain capital assets, inventories, accounts receivable and insurance proceeds were pledged as collateral as at December 31, 2002, for the advances from Truck Service Corp. The advances were subordinated to bank indebtedness and notes payable. Interest was payable monthly at prime plus 0.5% (2002 – 5%). The interest incurred during the year is $15,117 (2002 – $52,254).

11 INCOME TAXES

The income tax provision differs from the amounts computed by applying the combined federal and provincial income tax rate of 36.74% (2002 – 39.1%) to pre-tax income as a result of the following:

December 31, 2003 and 2002	2003	2002
	$	$
Earnings (loss) before income taxes and discontinued operations	1,018,154	(1,385,911)
Computed "expected" income taxes	374,070	(542,168)
Non-deductible (non-taxable) items	(348,128)	27,132
	25,942	(515,036)
Differences resulting from:		
Different rates due to small business deduction, manufacturing and processing deduction and U.S. jurisdiction	(23,496)	38,993
Change in enacted tax rates	65,938	101,290
Other	9,416	22,192
Income taxes (recovery)	77,800	(352,561)

The income tax effect of temporary differences that give rise to significant balances of the future tax assets and liabilities at the balance sheet date are summarized as follows:

	2003	2002
	$	$
Future tax assets (liabilities) resulting from		
Deferred gain	506,543	–
Capital assets	1,552,807	1,345,586
Accrued costs relating to discontinued operations	–	193,893
Warranty reserve	19,617	99,230
Inventory obsolescence	123,678	97,579
Non-capital losses carried forward	2,327,808	3,326,785
Share issue costs	–	5,493
Deferred development costs	(120,044)	(121,778)
Investment in joint venture	(72,102)	(56,539)
Other	2,732	427
Valuation allowance	(226,481)	(683,494)
Net future income taxes	4,114,558	4,207,182
Less: Current portion	484,680	654,913
	3,629,878	3,552,269

12 DISCONTINUED OPERATIONS

On December 4, 2002, the Company adopted a formal plan to dispose of its Spring and Axle operations, which includes the investment in McCoy Bros. Group Inc. On March 31, 2003, the Company sold, to a management buyout group, the shares of McCoy Bros. Group Inc., a wholly owned subsidiary, for a cash price equal to the book value of the net assets of the subsidiary, which was $398,068. On the same date, the capital assets of the Spring and Axle division were sold for net book value of $189,669, to be paid in ten equal annual instalments, starting on the first anniversary of the closing date. Inventory of the Spring and Axle division, totalling $803,583 was consigned to the purchaser. The terms of the consignment are twelve equal payments beginning July 31, 2003. No interest is to be charged on these outstanding balances.

The Company does not allocate interest expense to discontinued operations.

December 31, 2003 and 2002	2003	2002
	$	$
Revenue applicable to discontinued operations	–	9,691,126
Operating income (loss) to the measurement date	–	(31,499)
Income taxes (recovery)	–	11,062
	–	(20,437)
Earnings (loss) from discontinued operations from the measurement date to the disposal date	**97,000**	(1,662,958)
Income tax	**(33,582)**	352,673
	63,418	(1,310,285)
Net earnings (loss) from discontinued operations	**63,418**	(1,330,722)

Net assets of discontinued operations at the balance sheet date are summarized as follows:

December 31, 2003 and 2002	2003	2002
	$	$
Working capital	**111,196**	1,124,589
Capital assets	–	202,283

Cash flows from discontinued operations consist of cash provided by (used in):

December 31, 2003 and 2002	2003	2002
	$	$
Operating activities	**1,040,508**	272,611
Financing activities	**(52,085)**	(2,039,653)
Investing activities	**(14,475)**	1,858,103
Cash from discontinued operations	**973,948**	91,061

13 SHARE CAPITAL

a) Authorized

Unlimited number of voting, common shares and non-voting, preferred shares

b) Issued

December 31, 2003 and 2002	2003		2002	
	Common shares	Amount	Common shares	Amount
	#	$	#	$
Balance – Beginning of year	**17,533,807**	**12,854,825**	10,261,080	8,854,825
Issued on partial conversion of promissory note (note 10)	–	–	7,272,727	4,000,000
	17,533,807	**12,854,825**	17,533,807	12,854,825

c) Warrants

At December 31, 2003, there were 200,000 (2002 – 200,000) warrants outstanding. The warrants were granted to Foundation Equity Corporation in fiscal 2001 as part of an inducement to extend the maturity date of the convertible promissory note payable. The warrants have an exercise price of $2 per share and expire on June 25, 2006.

d) Options

The Company stock option plan for employees is administered by the Compensation Committee, which is a subcommittee of the Board of Directors. The Compensation Committee designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations.

Significant terms of the stock option plan include: the total number of common shares reserved for issuance cannot exceed 1,753,380 shares; no more than 5% of outstanding shares may be reserved for options granted to any one person; no more than 10% of outstanding shares may be reserved for options granted to insiders; the options vest over a period specified by the plan administrator and the maximum term of options issued under the plan cannot exceed five years. The exercise price of options is determined by the Board of Directors, but cannot be lower than the market price of shares on the last trading day preceding the grant date.

The following reflects activity under the stock option plan from December 31, 2001 through December 31, 2003, and the weighted average exercise prices.

	Number of common shares under option	Weighted Average Exercise Price
	#	$
Outstanding – December 31, 2001	805,000	2.13
Issued	810,000	0.40
Cancelled	(215,000)	2.04
Outstanding – December 31, 2002	1,400,000	1.13
Cancelled	(165,000)	2.01
Outstanding – December 31, 2003	1,235,000	1.02
Exercisable – December 31, 2003	964,990	1.24
Exercisable – December 31, 2002	432,415	2.14

The following options are outstanding as at December 31, 2003:

	Remaining contractual life (months)	Number of common shares under option	Exercise price
	#	#	$
Expiry date			
August 31, 2004	8	180,000	2.45
January 3, 2005	13	10,000	2.10
January 5, 2005	13	75,000	2.10
May 31, 2005	17	10,000	2.00
October 17, 2005	22	40,000	1.75
January 5, 2006	25	100,000	2.00
June 13, 2006	30	10,000	2.00
June 12, 2007	30	10,000	0.55
December 4, 2007	48	800,000	0.40
Total outstanding		1,235,000	

The Company does not record compensation expense in the financial statements for stock options granted to employees. If compensation expense had been determined based on the fair value of the options at the grant date, using the Black-Scholes option pricing model, additional compensation would have been recorded in the consolidated statement of operations for the year, with pro forma results presented below. These pro forma results do not include any employee options issued prior to January 1, 2002.

December 31, 2003 and 2002	2003	2002
	$	$
Net earnings (loss) for the year – as reported	**940,354**	(2,364,072)
Additional compensation expense	**(84,182)**	(13,018)
Net earnings (loss) for the year – pro forma	**856,172**	(2,377,090)
Earnings (loss) per share		
Basic and diluted – as reported	**0.05**	(0.17)
Basic and diluted – pro forma	**0.05**	(0.17)

The fair value of each common share option granted is estimated on the date of granting the options, using the Black-Scholes option pricing model with the weighted average assumptions as follows:

Risk-free interest rate	3.25%
Expected life of options	2.5 years
Expected volatility	143%
Dividend rate	0.00%

14 EARNINGS (LOSS) PER SHARE

December 31, 2003 and 2002

	2003			2002		
	Earnings (numerator)	Shares (denominator)	Per Share amount	Earnings (numerator)	Shares (denominator)	Per Share amount
	$	#	$	$	#	$
Basic earnings (loss) per share						
Earnings (loss) before discontinued operations	**940,354**	**17,533,807**	**0.05**	(1,033,350)	13,897,444	(0.07)
Discontinued operations	**63,418**	**–**		(1,330,722)	–	
Earnings (loss) available to common shareholders	**1,003,772**	**17,533,807**	**0.06**	(2,364,072)	13,897,444	(0.17)
Diluted earnings (loss) per share						
Earnings (loss) before discontinued operations	**940,354**	**17,533,807**	**0.05**	(1,033,350)	13,897,444	(0.07)
Discontinued operations	**63,418**	**–**		(1,330,722)	–	
Dilutive effect from convertible promissory note	**26,445**	**2,988,353**		–	–	
Earnings (loss) earnings available to common shareholders	**1,030,217**	**20,522,160**	**0.05**	(2,364,072)	13,897,444	(0.17)

15 COMMITMENTS AND CONTINGENCIES

a) Commitments

The Company is committed to payments under operating leases for premises and equipment as follows:

	$
2004	1,041,154
2005	1,040,911
2006	1,065,334
2007	1,065,334
2008	1,099,834

Also see note 18 for commitments relating to 2009 and beyond.

b) Contingencies

The Company is a co-defendant in a lawsuit alleging negligence in the installation of tire pressure control systems. The litigation relating to the Statement of Claim for $1,570,000 is in its preliminary stages and the outcome is not currently determinable. A loss, if any, would be partially covered by the Company's insurance.

16 FINANCIAL INSTRUMENTS

The fair values of accounts receivable, income taxes receivable, bank indebtedness, accounts payable, accrued liabilities, income taxes payable and floor plan financing approximate their carrying values due to the short terms to maturity.

The fair values of the mortgage receivable, long-term debt, obligations under capital leases and advances from related parties approximate their carrying values since their stated interest rates approximate the market interest rates at December 31, 2003 and 2002. The fair value of the note receivable is not determinable since other securities with similar terms and characteristics are not readily available for comparative purposes.

The Company's debt consists of loans that are subject to interest rate fluctuation. If there is a 1% change in the prime lending rate the Company would incur approximately $3,000 in annual interest reduction or increase.

The Company is exposed to credit risk through its accounts receivable. This risk is minimized due to the Company's large customer base. The Company manages credit risk by following a program of credit evaluation and by limiting the amount of customer credit where deemed necessary.

17 FINANCIAL GUARANTEES

The Company issued an irrevocable standby letter of credit pursuant to the sale of one of its land and buildings as additional security that was required by the purchaser's bank. The amount of the letter of credit is $60,000 and expires January 13, 2005.

18 RELATED PARTY TRANSACTIONS

a) Sale-leaseback

On May 1, 2003, the Company sold all of its land and buildings for the amount of $5,793,000, measured at appraised fair market values. A vendor take-back second mortgage for $700,000 has been granted to the purchaser (see note 5). The sale resulted in a gain of $1,531,206, which is being recognized over 15 years, which is the term of the leases described below. Amortization of $68,054 is included in income during 2003.

Also on May 1, 2003, the Company entered into lease agreements with the purchaser, whereby the buildings will be leased for a period of 15 years. Minimum annual lease payments are $680,620 for the next five years, $751,459 for the following five years and are to be renegotiated at market rates for the last five years of the lease.

The purchaser and lessor is a partnership owned by certain directors and an officer of the Company and certain directors of Foundation Equity Corporation and as such this transaction is a related party transaction.

b) Operating lease

In February 2003, the Company entered into a lease for another building from another partnership owned by certain directors and an officer of the Company and certain directors of Foundation Equity Corporation. The minimum annual lease payments are $232,000 for the next 14 years.

19 INTEREST IN JOINT VENTURE

The major components of the Company's 50% proportionate interest in Prairie Truck Ltd., in the consolidated financial statements are as follows:

December 31, 2003 and 2002	2003	2002
	$	$
Current assets	**1,854,650**	1,679,729
Total assets	**2,066,660**	1,859,917
Current liabilities	**444,431**	482,334
Total liabilities	**444,431**	482,334

	2003	2002
	$	$
Revenue	**6,452,426**	5,952,284
Cost of sales	**5,069,340**	4,672,631
Gross profit	**1,383,086**	1,279,653
Expenses	**950,588**	967,954
	432,498	311,699
Income taxes	**19,392**	153,276
	413,106	158,423
Cash provided by (used in)		
Operating activities	**233,234**	587,909
Financing activities	**(42,000)**	(451,084)
Investing activities	**(72,896)**	(49,224)

20 SEGMENT DISCLOSURES

The Company has three reportable segments in which it operates: sales and service, manufacturing and corporate services. The Company's reportable segments offer different products and services and are managed separately due to different technology and marketing strategies. The Company has sales with a wide variety of customers primarily in the Province of Alberta, Canada.

The accounting policies of the segments are the same as those described in note 1. The Company evaluates segment performance based on earnings before interest and income taxes. The Company accounts for inter-segment sales and transfers as if the sales or transfers were to third parties. No single customer accounts for more than 10% of total revenue.

The Company serves the general transportation, construction and petroleum industries by providing heavy truck repair and maintenance services; manufacturing and distributing heavy duty trailers and hydraulic powertongs for use primarily in the oil and gas industry.

December 31, 2003 and 2002					2003
	Sales and service	Manufacturing	Corporate services	Intersegment eliminations	Total
	$	$	$	$	$
Sales by segment					
Total external sales	16,073,822	14,709,197	3,113	–	30,786,132
Total inter-segment sales	9,605	32,528	318,550	(360,683)	–
Total sales	16,083,427	14,741,725	321,663	(360,683)	30,786,132
Amortization	164,953	449,945	19,639	–	634,537
Other expenses (recovery)	15,490,213	12,847,993	770,428	(360,683)	28,747,951
Earnings (loss) before interest, income taxes, and discontinued operations	428,261	1,443,787	(468,404)	–	1,403,644
Interest on debt					385,491
Earnings (loss) before income taxes and discontinued operations					1,018,153
Total identifiable assets	5,433,798	7,106,836	3,653,142		16,193,776
Additions to capital assets	560,475	320,355	6,263		887,093

December 31, 2003 and 2002					2002
	Sales and service	Manufacturing	Corporate services	Intersegment eliminations	Total
	$	$	$	$	$
Sales by segment					
Total external sales	15,308,989	11,650,056	142,973	–	27,102,018
Total inter-segment sales	395,068	123,350	–	(518,418)	–
Total sales	15,704,057	11,773,406	142,973	(518,418)	27,102,018
Amortization	147,623	538,625	46,199	–	732,447
Other expenses	14,589,753	11,606,327	1,314,125	(518,418)	26,991,787
Earnings (loss) before interest income taxes, and discontinued operations	966,681	(371,546)	(1,217,351)	–	(622,216)
Interest on debt					763,695
Earnings (loss) before income taxes and discontinued operations					(1,385,911)
Total identifiable assets	5,273,812	8,171,138	3,878,350	–	17,323,300
Additions to capital assets	163,411	176,121	80,227	–	419,759

The table below reconciles the reportable segment identifiable assets to the Company's total identifiable assets.

December 31, 2003 and 2002	**2003**	2002
	$	$
Identifiable assets of reportable segments	**16,193,776**	17,323,300
Identifiable assets of discontinued operations	**111,196**	2,397,207
Total identifiable assets	**16,304,972**	19,720,507

Geographic information

December 31, 2003 and 2002	2003	
	Revenue	Capital assets and goodwill
	$	$
Canada	**24,492,505**	**2,449,877**
US	**2,987,918**	**–**
Other countries	**3,305,709**	**–**
	30,786,132	**2,449,877**

December 31, 2003 and 2002	2002	
	Revenue	Capital assets and goodwill
	$	$
Canada	22,089,263	6,431,056
US	1,535,404	–
Other countries	3,477,351	–
	27,102,018	6,431,056

CORPORATE INFORMATION

AUDITORS
PricewaterhouseCoopers, LLP
Edmonton, Alberta

BANKERS
The Bank of Nova Scotia
Edmonton, Alberta

TRANSFER AGENT AND REGISTRAR
Olympia Trust Company
Edmonton, Alberta

STOCK EXCHANGE – THE TORONTO STOCK EXCHANGE
Trading Symbol – MCB

BOARD OF DIRECTORS
Kerry Brown

Terry Chalupa

John Howard

David Macdonald

Terry McCoy

Jim Rakievich

BOARD COMMITTEES
Audit Committee:
John Howard (Chair), David Macdonald, Terry McCoy

Compensation Committee:
Terry Chalupa (Chair), Kerry Brown, John Howard

Governance Committee:
Kerry Brown (Chair), Terry Chalupa, Terry McCoy

OFFICERS
Jim Rakievich, President and Chief Executive Officer

Kerry Brown, Chief Financial Officer

Peggy Robertson, Corporate Secretary

As of April 30, 2004, the record date, there were 17,533,807 common shares issued and outstanding with no shares held in escrow.

The board lot price of McCoy's common shares on The Toronto Stock Exchange during the financial year 2003 ranged from a low of $0.15 on March 14 to a high of $0.58 on June 6.

The Annual General Meeting of the Shareholders will be held at The Sutton Place Hotel, 10235 – 101 Street, Edmonton, Alberta on Monday, June 7, 2004 at 4:00 o'clock in the afternoon. All Shareholders and other interested parties are cordially invited to attend the meeting and informal reception following.

LOCATIONS AND CONTACT INFORMATION

MCCOY BROS. INC. CORPORATE OFFICES
3904 – 78 Avenue
Edmonton, Alberta T6B 2W4
Phone: (780) 453-8451
Fax: (780) 453-8756
www.mccoybros.com

WESTEND SERVICE
17303 – 114 Avenue
Edmonton, Alberta T5S 2R9
Phone: (780) 453-8706
Toll Free: 1-800-252-9373
Fax: (780) 453-8758
www.mccoyservice.com

SOUTHSIDE SERVICE
3904 – 78 Avenue
Edmonton, Alberta T6B 2W4
Phone: (780) 468-1471
Toll Free: 1-800-232-7306
Fax: (780) 440-1394
www.mccoyservice.com

RED DEER SERVICE
4841 – 78 Street
Red Deer, Alberta T4P 1N5
Phone: (403) 343-8771
Toll Free: 1-800-662-7115
Fax: (403) 340-0888
www.mccoyservice.com

PRAIRIE TRUCK LTD.
9916 – 108 Street
Grande Prairie, Alberta T8V 4E2
Phone: (780) 532-3541
Toll Free: 1-877-532-3541
Fax: (780) 539-0841

SCONA TRAILER MANUFACTURING
3904 – 78 Avenue
Edmonton, Alberta T6B 2W4
Phone: (780) 447-2662
Toll Free: 1-866-657-2662
Fax: (780) 468-1750
www.sconatrailers.com

FARR CANADA
14755 – 121A Avenue
Edmonton, Alberta T5L 2T2
Phone: (780) 453-3277
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Fax: (780) 455-2432
www.farrcanada.com

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